

CLAIMS

What is claimed is:

- 1 1. A computer network system for trading derivatives comprising:
 - 2 (a) a network managing station;
 - 3 (b) one or more market maker stations;
 - 4 (c) one or more subscriber stations;
 - 5 (d) one or more Exchanges:
- 6 wherein the network managing station connects market makers and subscribers for
7 providing real time indicative quotes, issuing requests for binding quotes, displaying the
8 requests for binding quotes on at least some of the subscriber stations, obtaining binding
9 quotes, and wherein the market makers and subscribers are in communication with an
10 Exchange for sending binding quotes and orders to the Exchange for clearing and
11 confirming transactions; and wherein the network managing station generates indicative
12 quotes for combination products.
- 1 2. The network system of claim 1 wherein a combination product is a product
2 having a plurality of legs, and the network managing station generates indicative quotes
3 for combination products in response to theoretical prices for the plurality of legs.
- 1 3. The network system of claim 2 wherein the theoretical prices are provided by
2 market makers.
- 1 4. The network system of claim 2 wherein the theoretical prices are determined in
2 response to indicative quotes provided by the market makers.
- 1 5. The network system of claim 2 wherein the network managing station generates
2 indicative quotes for combination products in response to spread parameters provided by
3 the market makers.

1 6. The network system of claim 5 wherein the spread parameters include a spread
2 edge parameter.

1 7. A method for electronically trading derivative instruments comprising the steps
2 of:

3 receiving a plurality of indicative quote data sets from a plurality
4 of market makers;

5 receiving a request for a non-binding quote for a combination of
6 selected ones of the corresponding derivatives;

7 generating a combination non-binding quote based on the plurality
8 of indicative quote data sets;

9 transmitting the generated combination non-binding quote to at
10 least one market participant over a communication network;

11 receiving a request for binding quote for the combination of
12 selected ones of the corresponding derivative instruments from at least one
13 market participant over a communication network;

14 transmitting the request for binding quote over a communication
15 network to at least one market maker;

16 receiving a binding quote in response to the transmitted request for
17 binding quote; and,

18 transmitting the binding quote to the market participants.

1 8. The method of claim 7, wherein the indicative quote data sets include theoretical
2 values.

1 9. The method of claim 7, wherein theoretical values for use in generating a
2 combination non-binding quote are determined in response to the received plurality of
3 quote data sets.

1 10. The method of claim 7, wherein the step of generating a combination non-binding
2 quote utilizes spread parameters obtained from a market maker.

1 11. The method of claim 10, wherein the spread parameters include a spread edge
2 parameter and an offset parameter.

1 12. The method of claim 7, wherein the step of generating a combination non-binding
2 quote is performed by a network management system.

1 13. A method for electronically trading derivative instruments comprising the steps
2 of:

3 receiving indicative quote data sets from market makers for a
4 plurality of option contracts, wherein the indicative quote data sets
5 comprises at least bid and ask non-binding prices for the plurality of
6 options contracts;

7 providing non-binding quotes to market participants for specific
8 combinations of options contracts based on the received indicative quote
9 data sets;

10 receiving requests from market participants for binding quotes for
11 the specific combinations of options contracts; and

12 requesting market makers to provide binding quotes for the
13 specific combinations of options contracts.

1 14. The method of claim 13 wherein the indicative quote data sets further comprises
2 an associated quantity.

1 15. The method of claim 13 wherein the step of providing non-binding quotes to
2 market participants for specific combinations of options contracts comprises:
3 determining component legs of the combination;

4 determining theoretical values of the component legs;
5 summing the theoretical values according to predetermined pricing formulas;
6 applying a spread function to the resulting summation to obtain a two-sided non-
7 binding quote; and
8 transmitting the non-binding quote to a market participant.

1 16. The method of claim 15 wherein the step of providing non-binding quotes to
2 market participants for specific combinations of options contracts further comprises
3 applying an offset function to the summation.

1 17. The method of claim 15 wherein the step of determining theoretical values of the
2 component legs comprises using theoretical values received from market makers.

1 18. A method for electronically trading derivative instruments comprising the steps
2 of:
3 receiving indicative quote data sets from market makers for a plurality of option
4 contracts, wherein the indicative quote data sets comprise at least bid and ask non-
5 binding prices for the plurality of options contracts;
6 analyzing the received indicative quotes to eliminate crossed quotes and
7 responsively providing non-binding quotes to market participants for specific
8 combinations of options contracts based on the received indicative quote data sets,
9 wherein the provided non-binding quotes are quotes that are non-crossed;
10 receiving requests from market participants for binding quotes for the specific
11 combinations of options contracts; and
12 requesting market makers to provide binding quotes for the specific combinations
13 of options contracts.

1 19. The method of claim 18 wherein the step of analyzing the received quotes
2 comprises:
3 sorting the bid prices into descending order and the ask prices in ascending order;

4 determining if a cross condition exists; and
5 disregarding the crossed quotes.

1 20. The method of claim 18 wherein the step of analyzing the received quotes
2 comprises searching an ordered list of bid prices and ask prices for the first instance of
3 non-crossed quotes.

1 21. A method for electronically trading derivative instruments comprising the steps
2 of:
3 receiving indicative quote data sets from market makers for a plurality of option
4 contracts, wherein the indicative quote data sets comprises at least bid and ask non-
5 binding prices for the plurality of options contracts;
6 receiving spread parameters;
7 providing non-binding quotes to market participants for specific combinations of
8 options contracts based on the received indicative quote data sets and the spread
9 parameters;
10 receiving requests from market participants for binding quotes for the specific
11 combinations of options contracts;
12 requesting market makers to provide binding quotes for the specific combinations
13 of options contracts; and
14 archiving quote generation data used to provide the non-binding quotes to market
15 participants.

1 22. The method of claim 21 wherein the archived quote generation data includes
2 market makers' volatility levels.

1 23. The method of claim 21 wherein the archived quote generation data includes
2 prices over a range of option strikes, interest rate, days to expiration, and a bid/ask
3 spread.

1 24. A method for electronically trading derivative instruments comprising the steps
2 of:
3 receiving a request for a binding quote for a combination of selected
4 derivative instruments from at least one market participant over a communication
5 network;
6 transmitting the request for binding quote over a communication network
7 to at least one market maker;
8 displaying to the market maker the market maker's indicative quote, and
9 the corresponding aggregate best indicative quote;
10 receiving a binding quote in response to the transmitted request for
11 binding quote; and,
12 transmitting the binding quote to the market participants.

1 25. The method of claim 24 wherein the market maker's indicative quote is shown in
2 green if it equals the corresponding aggregate best indicative quote.

1 26. The method of claim 24 wherein the step of displaying to the market maker the
2 market maker's indicative quote, and the corresponding aggregate best indicative quote,
3 includes displaying a quote ticket, wherein the quote ticket may be used for submission
4 of a binding quote.
5